



Committee On Finance

Max Baucus, Chairman

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FLOOR STATEMENT SENATOR MAX BAUCUS VICTIMS OF TERRORISM TAX RELIEF ACT OF 2001

Mr. PRESIDENT, September 11, 2001, is a date that changed America forever. The Nation has endured a terrible tragedy. The human suffering is immense and our sense of invulnerability shattered. The terrorist strike on that date took the lives of thousands of US civilians, and we will spend many months and years trying to come to grips with the magnitude of that day's attack on our freedom.

We have been left with searing images of a horror that could not be contained – acts of terrorism that unfolded before our eyes, gripping this nation and the world in raw and vivid devastation, touching all of us with feelings expressed in public and in private; from panic to helplessness; helplessness to anger; and anger to loss.

Members of Congress have stood as one to condemn these attacks, comfort the victims and their families, and commit our full support to bring those responsible to justice. Our heartfelt thoughts and fervent prayers continue to go to those who have been lost.

Today we bring before the Senate a bill to help those victims and their families through some of the financial crises they will face as a result of the terrorist's actions.

Throughout our history, Congress has provided Federal tax relief to soldiers who die while serving in combat zones, and to service members and other individuals who have been affected by hostile actions outside of combat zones. But in the past, legislative relief bills have been limited in scope, because the actions they were intended to address were themselves limited.

The terrorist attack of September 11, 2001 changed our perception, as a Nation, of the nature of terrorist activity. Our tax code simply has no frame of reference for the unprecedented scope of destruction and the inconceivable loss of civilian life on American soil that resulted from the terrorist attacks.

The events of September 11th have been characterized by the President as an act of war, and in the hearts and minds of most Americans, those who died in the attack should be treated like American soldiers who pay the ultimate price on the field of battle.

Because of this, the House passed H.R. 2884, a bill which extends the benefits available to those who die in combat zones to all of the individuals killed as a result of the September 11 attacks. It provides significant income tax and estate tax relief to the victims of the September 11th attacks.

The bill before you builds on the House legislation, because we acknowledge that the overwhelming loss of life in the September 11th action was civilian, and civilian victims tend to have different tax issues than soldiers.

This bill provides relief to all of the victims of the September 11th attacks – the brave firefighters who lost their lives trying to save those trapped in the destruction, employees who worked in the targeted buildings, tourists who were just visiting, as well as those on the airplanes converted into weapons by the terrorists. The bill also provides relief to the families of the victims of the post-September 11th anthrax attacks, and to those who died in the bombing of the Alfred P. Murrah federal building in Oklahoma City on April 19, 1995.

Under this legislation, all of the victims will have their Federal income tax liability, and any self-employment tax liability, forgiven for the year of their death and at least one previous year.

To achieve a measure of tax equity and recognize the different taxes paid by individuals, our bill also provides relief from payroll taxes that parallels the income tax relief.

In the case of the estate tax, our bill modernizes the application of the statute and creates a special formula that shields the first \$3 million in assets from both Federal and state estate taxes, and \$8.5 million in assets from Federal estate tax for 2001.

In the wake of the explosions, the Treasury Department quickly waived an extensive list of deadlines for those affected by the disaster.

However, the Department was unable to extend all Federal deadlines, in some cases because they had no clear authority and in others because of the need to coordinate with other agencies. Those other agencies have themselves been confronted with a lack of clear authority in waiving deadlines under their jurisdiction.

Our bill clarifies and expands upon the government's ability to extend deadlines in case of any disaster, including the ability to waive interest for payments that are delayed.

There are also special exclusions for some types of death benefits in current law. For example, worker's compensation benefits and life insurance proceeds to beneficiaries are not

taxed, nor are payments from a government retirement plan for a public safety officer killed in the line of duty. The first \$3,000 of death benefits paid to soldiers killed in combat are also not taxed.

Our bill expands this nontaxable list to include all death benefits paid on account of a death resulting from this terrorist action.

Current law also excludes disability benefits from income if they are made under workers compensation laws in certain limited circumstances. Our bill expands those eligible for the exclusion to include anyone injured in a terrorist attack.

The Senate bill before us also includes provisions making it clear that payments made by FEMA to individuals affected by any disaster are not subject to income tax.

In the wake of the attacks, a number of employers who had workers killed in the World Trade Centers, in the Pentagon, and in the airplanes used as weapons stepped up to the plate with generous offers of help to their lost colleague's families.

Under current law, payments such as these would typically be taxed, which would reduce the amount of help going directly to the surviving families. Our bill exempts these payments from Federal income tax liability.

We are also aware that some financial institutions are considering forgiving outstanding credit card balances of those who died in the attacks. Our bill makes sure that any such debt forgiveness is not itself subject to tax.

To protect those victims families who elect structured settlements in order to ensure they have a stream of payments for as long as they need them, our bill makes sure anyone acquiring these payment streams goes through a court process designed to protect the families.

And for those families who set up special disability trusts in the wake of the attacks, a personal exemption is provided.

The charitable community has also responded overwhelmingly to the needs of the victims and their survivors. For example, in my home state of Montana, members of the higher education community, including the University of Montana, have helped to establish the "September 11 College Fund."

The money donated to this fund will provide assistance, based on need, to cover higher education expenses for dependents and survivors of those lost at the institution of their choice. One hundred percent of the donated funds will go directly to the students—none of the principal will be used for administrative expenses.

The charitable community is playing an important role in helping our Nation recover from this tragedy. Our bill makes it easier for charitable organizations to make disaster relief payments to victims and their families.

Our bill also makes it easier for companies to establish private foundations to help the survivors with both short-term and long-term needs, such as scholarships for the victim's children.

In the days following this attack, as well as in the days following other natural disasters such as fires and floods, we have seen a great deal of confusion among our citizens about their responsibilities and benefits under the tax code.

For this reason, the Senate bill also requires the Internal Revenue Service to establish a permanent Disaster Response Team whose responsibility it will be to help taxpayers clarify and resolve Federal tax matters associated with any natural disaster or terroristic or military action.

In addition, the bill clarifies a provision in the recently enacted Air Transportation Safety and System Stabilization Act relating to the dates certain excise tax deposits are due.

Mr. President, I don't claim that this bill is perfect - I'm sure there are specific tax situations that have arisen because of these attacks that we may not have addressed in this bill. If we took the time to identify and address all of them, we would never complete this legislation, so we believe the best course of action is to move forward with what we have, and continue to look for opportunities to provide more assistance in the future.

I also am well aware of the fact that no legislation passed by this Congress can ever truly compensate the victims of this horrible attack and their families for everything they have lost - the love, warmth and companionship of those who have died. Nor can we ever replace the feeling of security we once had as a Nation. But we can help make the road to recovery for the families of these victims a little smoother with the provisions of this bill, and make it easier to respond to other disasters in the future.

This is a good piece of legislation, and it will help thousands of families facing an uncertain future. I urge my colleagues to support it.